

State of Arizona
House of Representatives
Forty-fifth Legislature
Second Special Session
2001

CHAPTER 2

HOUSE BILL 2014

AN ACT

REPEALING SECTIONS 3-306 AND 3-1483, ARIZONA REVISED STATUTES; AMENDING SECTIONS 3-1481, 15-1681 AND 15-1682, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 13, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1682.01; AMENDING SECTIONS 28-7678, 35-313, 41-1958, 42-5029, 43-401 AND 44-3298, ARIZONA REVISED STATUTES; AMENDING LAWS 2001, CHAPTER 261, SECTION 3; AMENDING LAWS 2001, CHAPTER 318, SECTION 3; AMENDING LAWS 2001, CHAPTER 327, SECTION 14; AMENDING LAWS 2001, CHAPTER 333, SECTION 1; AMENDING LAWS 2001, CHAPTER 336, SECTION 1; AMENDING LAWS 2001, CHAPTER 371, SECTION 23; REPEALING SECTION 42-5032.02, ARIZONA REVISED STATUTES; REPEALING LAWS 2001, CHAPTER 318, SECTIONS 2 AND 4; REPEALING LAWS 2001, CHAPTER 320; REPEALING LAWS 2001, CHAPTER 369; REPEALING LAWS 2001, CHAPTER 375, SECTION 2; REPEALING LAWS 2001, CHAPTER 272; RELATING TO PUBLIC FINANCES AND BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Repeal

3 The following are repealed:

4 1. Section 3-306, Arizona Revised Statutes.

5 2. Section 3-1483, Arizona Revised Statutes.

6 Sec. 2. Section 3-1481, Arizona Revised Statutes, is amended to read:

7 3-1481. Rules to regulate and protect ratite production; fees

8 A. The director may establish a program to regulate agricultural
9 ratite ranching and production and may adopt rules to govern the ratite
10 industry. The director may appoint an ad hoc advisory committee pursuant to
11 section 3-106 to make recommendations concerning regulating the industry.

12 ~~B. After consulting representatives of the ratite industry, the~~
13 ~~director may adopt fees to cover the costs directly related to this article.~~

14 C. B. The state veterinarian may adopt rules that are necessary to
15 adequately protect the ratite industry from contagious diseases and
16 parasites.

17 Sec. 3. Section 15-1681, Arizona Revised Statutes, is amended
18 effective from and after December 31, 2001, to read:

19 15-1681. Definitions

20 In this article, unless the context otherwise requires:

21 1. "Acquire" includes to purchase, lease, LEASE-PURCHASE, erect,
22 build, construct, reconstruct, raze, remodel, repair, replace, alter, extend,
23 expand, better, equip, furnish, develop, improve and embellish a project, and
24 the acquisition, preparation and development of a site or sites therefor.

25 2. "Board" means the Arizona board of regents or its successor.

26 3. "Bonds" means any bonds issued pursuant to this article.

27 4. "Federal agency" means the United States of America, the president
28 of the United States of America, the department of housing and urban
29 development or such other agency or agencies of the United States of America
30 as may be designated or created to make loans or grants, or both.

31 5. "Institution" means the university of Arizona, Arizona state
32 university and northern Arizona university or any other college or university
33 under the jurisdiction and control of the board or its successor.

34 6. "Project" means and includes buildings, structures, areas and
35 facilities which, as determined by the board, are required by or necessary
36 for the use or benefit of each of such institutions, including, without
37 limiting the generality of the foregoing, student, faculty or staff housing
38 facilities, residence halls, dormitories and apartments; student union and
39 recreational buildings and stadiums; other facilities for student, faculty
40 or staff services; any facility or building leased to the United States of
41 America; parking garages and areas; offices, classrooms, laboratories, dining
42 halls and food service facilities, libraries, auditoriums, or parts thereof,
43 or additions or extensions thereto; heating, lighting and other utility
44 service facilities in connection therewith, or parts thereof, or additions
45 or extensions thereto; whether heretofore acquired and now or hereafter used

1 for any or all of the purposes aforesaid, or as may be hereafter acquired
2 under this article, with all equipment and appurtenant facilities; or any
3 one, or more than one, or all of the foregoing, or any combination thereof,
4 for any institution, including sites therefor.

5 7. "System of building facilities" means such project or projects as
6 the board by resolution shall collectively designate to be included in a
7 system of building facilities at each institution, either:

8 (a) Hereafter acquired for each of such institutions under the terms
9 of this article.

10 (b) Heretofore acquired for each of such institutions prior to May 17,
11 1974 under the terms of any other law and now located on the campus of each
12 of such institutions, whether unencumbered by or encumbered by a pledge of
13 and lien on the income and revenues derived from the operation thereof for
14 the payment of any bonds theretofore issued by the board for the acquisition
15 thereof.

16 (c) As provided in both subdivisions (a) and (b).

17 (d) Any combination of as provided in subdivisions (a), (b) and (c).

18 Sec. 4. Section 15-1682, Arizona Revised Statutes, is amended
19 effective from and after December 31, 2001, to read:

20 15-1682. Powers

21 The board shall have power for each institution, as defined in this
22 article, to:

23 1. Acquire, if authorized by the legislature, any project or projects,
24 or any combination thereof, and to own, operate and maintain the same and
25 establish, own, operate and maintain a system of building facilities.

26 2. Acquire by purchase, contract, LEASE-PURCHASE, lease or gift, and
27 hold or dispose of, real or personal property or rights or interest therein.

28 3. Accept grants, subsidies or loans of monies from a federal agency,
29 or others, upon such terms and conditions as may be imposed, and to pledge
30 the proceeds of grants, subsidies or loans of monies received or to be
31 received from the United States of America or any agency or instrumentality
32 thereof, or others, pursuant to agreements entered into between such board
33 and the United States of America, or any agency or instrumentality thereof,
34 or others.

35 4. Borrow monies and issue bonds to acquire any one project, or more
36 than one, or any combination thereof, if authorized by the legislature, and
37 to refund bonds heretofore or hereafter issued to acquire any project or
38 projects, or to refund any such refunding bonds, or for any one, or more than
39 one, or all of such purposes, or any combination thereof, and to provide for
40 the security and payment of such bonds and for the rights of the holders
41 thereof.

42 5. Make contracts and leases and execute all instruments and perform
43 all acts and do all things necessary or convenient to carry out the powers
44 granted in this article.

45 6. Retain in its treasury:

1 (a) All monies received from the sale of all bonds issued under this
2 article.

3 (b) All fees, tuitions, rentals and other charges from students,
4 faculty, staff members and others using or being served by, or having the
5 right to use or the right to be served by, or to operate, any project.

6 (c) All fees for student activities, student services and all other
7 fees, tuitions and charges collected from students matriculated, registered
8 or otherwise enrolled at and attending each institution pledged under the
9 terms of any resolution authorizing bonds pursuant to this article.

10 (d) All rentals from any facility or building leased to the United
11 States of America.

12 Sec. 5. Title 15, chapter 13, article 5, Arizona Revised Statutes, is
13 amended effective from and after December 31, 2001, by adding section 15-
14 1682.01, to read:

15 15-1682.01. Lease-purchase agreements

16 A. ANY LEASE-PURCHASE AGREEMENT EXECUTED BY THE BOARD RELATING TO LAND
17 ACQUISITION, CAPITAL PROJECTS, ENERGY SYSTEMS OR ENERGY MANAGEMENT SYSTEMS
18 SHALL PROVIDE THAT:

19 1. THE OBLIGATION OF THIS STATE TO MAKE ANY PAYMENT UNDER THE
20 AGREEMENT IS A CURRENT EXPENSE OF THE BOARD AND IS NOT A GENERAL OBLIGATION
21 INDEBTEDNESS OF THIS STATE OR THE BOARD.

22 2. IF THE LEGISLATURE FAILS TO APPROPRIATE MONIES OR THE BOARD FAILS
23 TO ALLOCATE MONIES FOR ANY PERIODIC PAYMENT OR RENEWAL TERM OF THE AGREEMENT,
24 THE AGREEMENT TERMINATES AT THE END OF THE CURRENT TERM AND THIS STATE AND
25 THE BOARD ARE RELIEVED OF ANY SUBSEQUENT OBLIGATION UNDER THE AGREEMENT.

26 3. THE JOINT COMMITTEE ON CAPITAL REVIEW SHALL REVIEW THE PROJECT
27 BEFORE THE LEASE-PURCHASE AGREEMENT TAKES EFFECT.

28 B. A LEASE-PURCHASE AGREEMENT UNDER THIS SECTION SHALL COMPLY WITH THE
29 CONSTITUTION AND OTHER LAWS OF THIS STATE.

30 Sec. 6. Section 28-7678, Arizona Revised Statutes, is amended to read:
31 28-7678. Board funding obligations

32 A. The board may deliver nonnegotiable board funding obligations as
33 follows:

34 1. In fiscal year 1999-2000, a board funding obligation that is in a
35 principal amount that is not more than one hundred million dollars and that
36 matures no later than one calendar year after delivery of the obligation.

37 2. In fiscal year 2000-2001, a board funding obligation that is in a
38 principal amount that is not more than one hundred million dollars and that
39 matures no later than three calendar years after the delivery of the
40 obligation.

41 3. In fiscal year 2001-2002, an additional board funding obligation
42 that is in a principal amount that is not more than one hundred million
43 dollars and that matures no later than two calendar years after the delivery
44 of the obligation.

1 4. In fiscal year 2003-2004, a board funding obligation that is in a
2 principal amount that is not more than two hundred million dollars and that
3 matures no later than four calendar years after the delivery of the
4 obligation.

5 B. The board shall sell the board funding obligations prescribed in
6 subsection A of this section to the state treasurer. The board shall repay
7 board funding obligations at the board's earliest convenience. The total
8 principal amount of board funding obligations at any one time shall not be
9 more than two hundred million dollars. THE BOARD MAY REISSUE TO THE STATE
10 TREASURER ANY CALLED BOARD FUNDING OBLIGATIONS ON THE SAME TERMS AS THE
11 OBLIGATIONS THAT WERE CALLED AND IN A PRINCIPAL AMOUNT THAT DOES NOT EXCEED
12 THE PRINCIPAL AMOUNT CALLED.

13 C. In consultation with the state treasurer, the board shall authorize
14 each board funding obligation by a resolution. The authorizing resolution
15 shall provide the following:

- 16 1. The rate or rates of interest.
- 17 2. The date or dates of maturity.
- 18 3. The terms of redemption.
- 19 4. The form and manner of execution of the funding obligation.
- 20 5. Any terms necessary to secure credit enhancement or other sources
21 of payment or security.

22 6. Any other item the board determines is necessary.

23 D. As provided in the authorizing resolutions of the board, the
24 principal of and interest on the board funding obligations shall be paid from
25 one or more loan repayment agreements that are funded with the proceeds of
26 the obligations and that are pledged to the repayment of the
27 obligations. The pledged loan repayment agreements shall be held in one or
28 more separate subaccounts in the fund that are established and pledged by the
29 authorizing resolution for the payment of the board funding obligation under
30 the terms of the authorizing resolution. As long as the board funding
31 obligations are outstanding, the board shall segregate the loan payments
32 under the loan repayment agreements and shall deposit all of those monies in
33 the appropriate separate subaccount of the fund designated as the subaccount
34 from which the obligations are to be paid. However, with respect to the
35 obligations deposited into the state highway fund pursuant to subsection G
36 of this section, the obligations: ~~(a)~~ shall be repaid by the board, no later
37 than the final maturity of the obligations, from the state highway fund and
38 not from loan repayment agreements; ~~(b)~~ AND may be secured by a pledge
39 granted pursuant to subsection E, paragraph 2 of this section.

40 E. To secure the board funding obligations, the board by the
41 authorizing resolution may:

- 42 1. Provide that principal of and interest on the obligations may be
43 secured by a pledge of and first lien or other specified lien on all or part
44 of the monies held in the specified subaccounts of the fund pledged to the
45 obligations.

1 2. Provide that, if the department fails to make loan repayments when
2 due under any pledged loan repayment agreement of the department, the
3 principal of obligations secured by the pledged loan repayment agreement may
4 be paid from and secured by a pledge of and lien on all or any part of the
5 monies paid into the state highway fund from the sources specifically
6 collected as prescribed under article IX, section 14, Constitution of
7 Arizona, and the monies distributed pursuant to section 28-5808, if the lien
8 is subordinated and subject to the prior lien on those monies securing all
9 bonds issued by the board pursuant to article 1 of this chapter.

10 3. Provide that all or a portion of the interest on the obligations
11 may be paid from and secured by a pledge of any available monies in the fund.
12 These pledged monies shall be deposited in the subaccount that secures the
13 obligations.

14 4. Provide that all or a portion of the interest on the obligations
15 may be paid from available monies in the state highway fund that are
16 deposited, as provided in the authorizing resolution, in the subaccount that
17 secures the obligations.

18 5. Do any other matters of like or different character that in any way
19 may affect the security and protection of the obligations.

20 F. The monies pledged under this section to the board funding
21 obligations and received by the state treasurer or department to be deposited
22 in the pledged subaccount are immediately subject to the lien of the pledge
23 without any future physical delivery or further act. A lien of any pledge
24 is valid and binding against all parties having claims of any kind in tort,
25 contract or otherwise against the board or the department irrespective of
26 whether the parties have notice of the lien. When placed in the board's
27 records, the resolution by which this pledge is created is notice to all
28 concerned of the creation of the pledge.

29 G. Board funding obligations shall be sold at private sale to the
30 state treasurer at a price and on terms provided by the board in its
31 authorizing resolution in accordance with subsection E of this section.
32 Before July 1, 2001, proceeds from the sale of obligations shall be deposited
33 in a separate subaccount in the fund and may be spent for financial
34 assistance to the department for eligible projects and related costs under
35 this article and to pay interest on board funding obligations. After July
36 1, 2001, up to sixty million dollars of the proceeds from the sale of new
37 obligations shall be deposited into the state highway fund established by
38 section 28-6991 and up to forty million dollars of proceeds shall be
39 deposited in a separate subaccount in the highway expansion and extension
40 loan program fund established by section 28-7674 and may be spent for
41 financial assistance to the department for eligible projects and related
42 costs under this article and to pay interest on board funding obligations.
43 After July 1, 2003, up to sixty million dollars of the proceeds from the sale
44 of obligations shall be deposited into the state highway fund and up to one
45 hundred forty million dollars of proceeds shall be deposited in a separate

1 subaccount in the highway expansion and extension loan program fund and may
2 be spent for financial assistance to the department for eligible projects and
3 related costs under this article and to pay interest on board funding
4 obligations.

5 H. On request of the board, the attorney general shall take whatever
6 actions are necessary to enforce loan repayment agreements that are pledged
7 by the board to board funding obligations.

8 I. Board funding obligations:

9 1. Are special obligations of the board.

10 2. Are not obligations that are general, special or otherwise of this
11 state.

12 3. Are not a legal debt of this state.

13 4. Are payable and enforceable only from the monies and separate
14 subaccounts pledged and assigned in the authorizing resolutions of the board.

15 J. Any member of the board or a person executing a board funding
16 obligation is not personally liable for the payment of the obligation.

17 K. IF THE STATE TREASURER CALLS THE INVESTMENT IN THE BOARD FUNDING
18 OBLIGATIONS AS PROVIDED IN SECTION 35-313, SUBSECTION D:

19 1. THE BOARD SHALL REPAY THE PRINCIPAL AMOUNT OF THE OBLIGATIONS
20 CALLED BY THE STATE TREASURER FROM THE SOURCES OF THE MONIES SPECIFIED IN THE
21 RESOLUTION OF THE BOARD THAT AUTHORIZED THE OBLIGATIONS.

22 2. THE BOARD MAY REISSUE TO THE STATE TREASURER ANY CALLED BOARD
23 FUNDING OBLIGATIONS ON THE SAME TERMS AS THE OBLIGATIONS THAT WERE CALLED AND
24 IN A PRINCIPAL AMOUNT THAT DOES NOT EXCEED THE PRINCIPAL AMOUNT CALLED.

25 Sec. 7. Section 35-313, Arizona Revised Statutes, is amended to read:

26 35-313. Investment of trust and treasury monies; loan of
27 securities

28 A. The state treasurer shall invest and reinvest trust and treasury
29 monies in any of the following items:

30 1. Obligations issued or guaranteed by the United States or any of its
31 agencies, sponsored agencies, corporations, sponsored corporations or
32 instrumentalities.

33 2. Collateralized repurchase agreements purchased from securities
34 dealers that make markets in those securities listed in paragraph 1.

35 3. Bonds or other evidences of indebtedness of this state or any of
36 the counties or incorporated cities, towns or duly organized school
37 districts.

38 4. Commercial paper whose issuer is rated in one of the two highest
39 rating categories for short-term obligations by any two nationally recognized
40 statistical rating organizations.

41 5. Bills of exchange or time drafts known as bankers acceptances which
42 are drawn on and accepted by a commercial bank.

43 6. Negotiable certificates of deposit issued by a nationally or state
44 chartered bank or savings and loan association.

1 7. Bonds, debentures, notes or other evidences of indebtedness which
2 are issued by entities organized and doing business in the United States and
3 which carry as a minimum one of the Baa ratings of Moody's investors service
4 or one of the BBB ratings of Standard and Poor's rating service or their
5 successors.

6 8. Securities of or any other interests in any open-end or closed-end
7 management type investment company or investment trust registered under the
8 investment company act of 1940 (54 Stat. 789; 15 United States Code sections
9 80a-1 through 80a-64), as amended, if both of the following apply:

10 (a) The investment company or investment trust takes delivery of the
11 collateral for any repurchase agreement either directly or through an
12 authorized custodian.

13 (b) The investment policy of the investment company or investment
14 trust includes seeking to maintain a constant share price.

15 9. Certificates of deferred property taxes as provided by section
16 42-17309.

17 10. Treasurer's warrant notes issued pursuant to section 35-185.01 or
18 registered warrants of a county issued pursuant to section 11-605, if the
19 yield is equal to or greater than yields on eligible investment instruments
20 of comparable maturities.

21 11. Shares in the treasurer's local government investment pools
22 provided that investment policies of the pool seek to maintain a constant
23 share price.

24 12. Subject to subsection D of this section, state transportation board
25 funding obligations delivered pursuant to section 28-7678.

26 B. In case of default or failure to honor a county treasurer's
27 warrant, the state treasurer may withhold the first state shared revenues
28 that would otherwise be distributed to the defaulting county in the amount
29 necessary to honor the note including accrued interest to and beyond the date
30 of default.

31 C. The state treasurer may contract to loan securities owned by the
32 trust funds and operating monies deposited in the investment pools pursuant
33 to section 35-316, subsection B to the financial or dealer community through
34 one or more of the entities listed in section 35-317, subsection A, or
35 authorized by the board of investment pursuant to section 35-311, subsection
36 E, if the borrower transfers collateral to the state treasurer or acting
37 agent of the state in the form of cash or securities specified in subsection
38 A of this section. Collateral posted in the form of cash shall be in an
39 amount equal to at least one hundred per cent of the market value of the
40 loaned securities as agreed. Collateral posted in the form of securities
41 shall be in an amount of no more than one hundred ten per cent of the market
42 value of the loaned securities as established from time to time by the board
43 of investment. The loaned securities shall be valued as to market value
44 daily, and, if necessary, the borrower shall post additional collateral, as
45 agreed, to ensure that the required margin is maintained. The state

1 treasurer may collect from the borrower all dividends, interest, premiums,
2 rights and other distributions to which the lender of securities would
3 otherwise be entitled. The state treasurer may terminate the contract on not
4 less than five business days' notice, as agreed, and the borrower may
5 terminate the contract on not less than two business days' notice, as agreed.

6 D. The state treasurer shall invest operating monies in state
7 transportation board funding obligations delivered pursuant to section
8 28-7678 PURSUANT TO THE FOLLOWING: —

9 1. The state treasurer shall liquidate investments of operating monies
10 if necessary in order to invest in state transportation board funding
11 obligations, except that if operating monies in the state general fund fall
12 below an eight hundred million dollar average over the previous twelve
13 consecutive months, the state treasurer is not required to purchase state
14 transportation board funding obligations pursuant to this subsection.

15 2. Each series of state transportation board funding obligations shall
16 bear interest at a fixed interest rate equal to the mean bid-ask price of the
17 United States treasury obligation with a maturity date closest to the
18 maturity date of the state transportation board funding obligation as
19 published most recently in the Wall Street Journal before the date the state
20 treasurer receives a certificate from the state transportation board that
21 states the board's determination to deliver an obligation to the state
22 treasurer and the anticipated delivery date of the obligation. The delivery
23 date shall be between fifteen and sixty days after the day the state
24 treasurer receives the certificate.

25 3. THE STATE TREASURER SHALL PROVIDE WRITTEN NOTICE TO THE STATE
26 TRANSPORTATION BOARD AND THE DIRECTOR OF THE DEPARTMENT OF TRANSPORTATION
27 WHEN THE OPERATING MONIES FALL BELOW FOUR HUNDRED MILLION DOLLARS. IF
28 OPERATING MONIES FALL BELOW TWO HUNDRED MILLION DOLLARS, THE STATE TREASURER
29 MAY CALL THE INVESTMENT IN THE STATE TRANSPORTATION BOARD FUNDING OBLIGATIONS
30 IN TWENTY-FIVE MILLION DOLLAR INCREMENTS UP TO THE AMOUNT THAT THE OPERATING
31 MONIES ARE BELOW TWO HUNDRED MILLION DOLLARS. THE STATE TREASURER SHALL GIVE
32 THE STATE TRANSPORTATION BOARD AND THE DIRECTOR OF THE DEPARTMENT OF
33 TRANSPORTATION AT LEAST FIFTEEN DAYS NOTICE OF THE CALL.

34 Sec. 8. Section 41-1958, Arizona Revised Statutes, is amended to read:

35 41-1958. Acquisition of lands and buildings; lease-purchase
36 agreements

37 A. The director may acquire for and in the name of the state by lease,
38 lease-purchase agreement or otherwise lands or buildings for the purpose of
39 providing office space for the department at such places as the director
40 finds necessary and suitable.

41 B. An agreement made for the lease, LEASE-PURCHASE or purchase of the
42 premises mentioned in subsection A is subject to the approval of the attorney
43 general and the director of the department of administration.

1 C. AN AGREEMENT MADE FOR THE PURCHASE OF THE PREMISES MENTIONED IN
2 SUBSECTION A IS SUBJECT TO THE REVIEW OF THE JOINT COMMITTEE ON CAPITAL
3 REVIEW.

4 D. ANY LEASE-PURCHASE AGREEMENT RELATING TO LAND OR BUILDING
5 ACQUISITIONS SHALL PROVIDE THAT:

6 1. THE OBLIGATION OF THIS STATE TO MAKE ANY PAYMENT UNDER THE
7 AGREEMENT IS A CURRENT EXPENSE OF THE DEPARTMENT AND IS NOT A GENERAL
8 OBLIGATION INDEBTEDNESS OF THIS STATE OR THE DEPARTMENT.

9 2. IF THE LEGISLATURE FAILS TO APPROPRIATE MONIES OR THE DEPARTMENT
10 FAILS TO ALLOCATE MONIES FOR ANY PERIODIC PAYMENT OR RENEWAL TERM OF THE
11 AGREEMENT, THE AGREEMENT TERMINATES AT THE END OF THE CURRENT TERM AND THIS
12 STATE AND THE DEPARTMENT ARE RELIEVED OF ANY SUBSEQUENT OBLIGATION UNDER THE
13 AGREEMENT.

14 3. THE JOINT COMMITTEE ON CAPITAL REVIEW SHALL REVIEW THE PROJECT
15 BEFORE THE LEASE-PURCHASE AGREEMENT TAKES EFFECT.

16 E. ANY AGREEMENT UNDER THIS SECTION SHALL COMPLY WITH THE CONSTITUTION
17 AND OTHER LAWS OF THIS STATE.

18 Sec. 9. Section 42-5029, Arizona Revised Statutes, is amended to read:
19 42-5029. Remission and distribution of monies

20 A. The department shall deposit, pursuant to sections 35-146 and
21 35-147, all revenues collected under this article and articles 4, 5, 8 and
22 9 of this chapter pursuant to section 42-1116, separately accounting for:

23 1. Payments of estimated tax under section 42-5014, subsection D.

24 2. Revenues collected pursuant to section 42-5070.

25 3. Revenues collected under this article and article 5 of this chapter
26 from and after June 30, 2000 from sources located on Indian reservations in
27 this state.

28 4. Revenues collected pursuant to section 42-5010, subsection G and
29 section 42-5155, subsection D.

30 B. The department shall credit payments of estimated tax to an
31 estimated tax clearing account and each month shall transfer all monies in
32 the estimated tax clearing account to a fund designated as the transaction
33 privilege and severance tax clearing account. The department shall credit
34 all other payments to the transaction privilege and severance tax clearing
35 account, separately accounting for the monies designated as distribution base
36 under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month
37 the department shall report to the state treasurer the amount of monies
38 collected pursuant to this article and articles 4, 5, 8 and 9 of this
39 chapter.

40 C. On notification by the department, the state treasurer shall
41 distribute the monies deposited in the transaction privilege and severance
42 tax clearing account in the manner prescribed by this section and by sections
43 42-5164, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against
44 the account pursuant to sections 42-1118 and 42-1254.

45 D. Of the monies designated as distribution base the department shall:

1 1. Pay twenty-five per cent to the various incorporated municipalities
2 in this state in proportion to their population as shown by the last United
3 States decennial or special census, or revisions to the decennial or special
4 census certified by the United States bureau of the census, to be used by the
5 municipalities for any municipal purpose.

6 2. Pay 38.08 per cent to the counties in this state by averaging the
7 following proportions:

8 (a) The proportion that the population of each county bears to the
9 total state population, as shown by the most recent United States decennial
10 or special census, or revisions to the decennial or special census certified
11 by the United States bureau of the census.

12 (b) The proportion that the distribution base monies collected during
13 the calendar month in each county under this article, section 42-5164,
14 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409
15 bear to the total distribution base monies collected under this article,
16 section 42-5164, subsection B, section 42-5205, subsection B and sections
17 42-5353 and 42-5409 throughout the state for the calendar month.

18 3. Pay an additional 2.43 per cent to the counties in this state as
19 follows:

20 (a) Average the following proportions:

21 (i) The proportion that the assessed valuation used to determine
22 secondary property taxes of each county, after deducting that part of the
23 assessed valuation that is exempt from taxation at the beginning of the month
24 for which the amount is to be paid, bears to the total assessed valuations
25 used to determine secondary property taxes of all the counties after
26 deducting that portion of the assessed valuations that is exempt from
27 taxation at the beginning of the month for which the amount is to be paid.
28 Property of a city or town that is not within or contiguous to the municipal
29 corporate boundaries and from which water is or may be withdrawn or diverted
30 and transported for use on other property is considered to be taxable
31 property in the county for purposes of determining assessed valuation in the
32 county under this item.

33 (ii) The proportion that the distribution base monies collected during
34 the calendar month in each county under this article, section 42-5164,
35 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409
36 bear to the total distribution base monies collected under this article,
37 section 42-5164, subsection B, section 42-5205, subsection B and sections
38 42-5353 and 42-5409 throughout the state for the calendar month.

39 (b) If the proportion computed under subdivision (a) of this paragraph
40 for any county is greater than the proportion computed under paragraph 2 of
41 this subsection, the department shall compute the difference between the
42 amount distributed to that county under paragraph 2 of this subsection and
43 the amount that would have been distributed under paragraph 2 of this
44 subsection using the proportion computed under subdivision (a) of this
45 paragraph and shall pay that difference to the county from the amount

1 available for distribution under this paragraph. Any monies remaining after
2 all payments under this subdivision shall be distributed among the counties
3 according to the proportions computed under paragraph 2 of this subsection.

4 4. After any distributions required by sections 42-5030.01, 42-5031,
5 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to the
6 water quality assurance revolving fund as required by section 49-282,
7 subsection B, credit the remainder of the monies designated as distribution
8 base to the state general fund. From this amount the legislature shall
9 annually appropriate to:

10 (a) The department of revenue sufficient monies to administer and
11 enforce this article and articles 5, 8 and 9 of this chapter.

12 (b) The department of economic security monies to be used for the
13 purposes stated in title 46, chapter 1.

14 (c) The tourism fund, through June 30, 2001, an amount equal to the
15 sum of the following:

16 (i) Two million dollars.

17 (ii) Seventy-five per cent of the amount by which revenues derived
18 from a one-half percentage rate portion of the total tax rate imposed on the
19 transient lodging classification for the current fiscal year exceed the
20 revenues derived from a one-half percentage rate portion of that tax in the
21 previous fiscal year.

22 (d) The Arizona arts endowment fund established by section 41-986, the
23 full amount by which revenues derived from the amusement classification
24 pursuant to section 42-5073 for the current fiscal year exceed the revenues
25 that were derived from that classification in fiscal year 1993-1994, except
26 that this amount shall not exceed two million dollars in any fiscal year.
27 ~~This subdivision applies for fiscal years through June 30, 2007 THROUGH~~
28 FISCAL YEAR 2007-2008 AND SHALL NOT EXCEED ONE AND ONE-HALF MILLION DOLLARS
29 IN FISCAL YEAR 2008-2009.

30 (e) The firearms safety and ranges fund established by section 17-273,
31 fifty thousand dollars derived from the taxes collected from the retail
32 classification pursuant to section 42-5061 for the current fiscal year.

33 (f) The tourism fund, beginning from and after June 30, 2001 an amount
34 equal to the sum of the following:

35 (i) Three and one-half per cent of the gross revenues derived from the
36 transient lodging classification pursuant to section 42-5070 during the
37 preceding fiscal year.

38 (ii) Three per cent of the gross revenues derived from the amusement
39 classification pursuant to section 42-5073 during the preceding fiscal year.

40 (iii) Two per cent of the gross revenues derived from the restaurant
41 classification pursuant to section 42-5074 during the preceding fiscal year.

42 E. If approved by the qualified electors voting at a statewide general
43 election, all monies collected pursuant to section 42-5010, subsection G and
44 section 42-5155, subsection D shall be distributed each fiscal year pursuant
45 to this subsection. The monies distributed pursuant to this subsection are

1 in addition to any other appropriation, transfer or other allocation of
2 public or private monies from any other source and shall not supplant,
3 replace or cause a reduction in other school district, charter school,
4 university or community college funding sources. The monies shall be
5 distributed as follows:

6 1. If there are outstanding state school facilities revenue bonds
7 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
8 amount that is necessary to pay the fiscal year's debt service on outstanding
9 state school improvement revenue bonds for the current fiscal year shall be
10 transferred each month to the school improvement revenue bond debt service
11 fund established by section 15-2084. The total amount of bonds for which
12 these monies may be allocated for the payment of debt service shall not
13 exceed a principal amount of eight hundred million dollars exclusive of
14 refunding bonds and other refinancing obligations.

15 2. After any transfer of monies pursuant to paragraph 1 of this
16 subsection, twelve per cent of the remaining monies collected during the
17 preceding month shall be transferred to the technology and research
18 initiative fund established by section 15-1648 to be distributed among the
19 universities for the purpose of investment in technology and research-based
20 initiatives.

21 3. After the transfer of monies pursuant to paragraph 1 of this
22 subsection, three per cent of the remaining monies collected during the
23 preceding month shall be transferred to the workforce development account
24 established in each community college district pursuant to section 15-1472
25 for the purpose of investment in workforce development programs.

26 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
27 subsection, one-twelfth of the amount a community college that is owned,
28 operated or chartered by a qualifying Indian tribe on its own Indian
29 reservation would receive pursuant to section 15-1472, subsection D,
30 paragraph 2 if it were a community college district under the jurisdiction
31 of the state board of directors for community colleges shall be distributed
32 each month to the treasurer or other designated depository of a qualifying
33 Indian tribe. Monies distributed pursuant to this paragraph are for the
34 exclusive purpose of providing support to one or more community colleges
35 owned, operated or chartered by a qualifying Indian tribe and shall be used
36 in a manner consistent with section 15-1472, subsection B. For purposes of
37 this paragraph, "qualifying Indian tribe" has the same meaning as defined in
38 section 42-5031.01, subsection D.

39 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
40 subsection, one-twelfth of the following amounts shall be transferred each
41 month to the department of education for the increased cost of basic state
42 aid under section 15-971 due to added school days and associated teacher
43 salary increases enacted in 2000:

44 (a) In fiscal year 2001-2002, \$15,305,900.

45 (b) In fiscal year 2002-2003, \$31,530,100.

1 (c) In fiscal year 2003-2004, \$48,727,700.
2 (d) In fiscal year 2004-2005, \$66,957,200.
3 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
4 \$86,280,500.

5 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
6 subsection, seven million eight hundred thousand dollars is appropriated each
7 fiscal year, to be paid in monthly installments, to the department of
8 education to be used for school safety as provided in section 15-154 and two
9 hundred thousand dollars is appropriated each fiscal year, to be paid in
10 monthly installments to the department of education to be used for the
11 character education matching grant program as provided in section 15-154.01.

12 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
13 subsection, no more than seven million dollars may be appropriated by the
14 legislature each fiscal year to the department of education to be used for
15 accountability purposes as described in section 15-241 and title 15, chapter
16 9, article 8.

17 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
18 subsection, one million five hundred thousand dollars is appropriated each
19 fiscal year, to be paid in monthly installments, to the failing schools
20 tutoring fund established by section 15-241.

21 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
22 subsection, twenty-five million dollars shall be transferred each fiscal year
23 to the state general fund to reimburse the general fund for the cost of the
24 income tax credit allowed by section 43-1072.01.

25 10. After the payment of monies pursuant to paragraphs 1 through 9 of
26 this subsection, the remaining monies collected during the preceding month
27 shall be transferred to the classroom site fund established by section
28 15-977. The monies shall be allocated as follows in the manner prescribed
29 by section 15-977:

30 (a) Forty per cent shall be allocated for teacher compensation based
31 on performance.

32 (b) Twenty per cent shall be allocated for increases in teacher base
33 compensation and employee related expenses.

34 (c) Forty per cent shall be allocated for maintenance and operation
35 purposes.

36 F. The department shall credit the remainder of the monies in the
37 transaction privilege and severance tax clearing account to the state general
38 fund, subject to any distribution required by section 42-5030.01.

1 G. Notwithstanding subsection D of this section, if a court of
2 competent jurisdiction finally determines that tax monies distributed under
3 this section were illegally collected under this article or articles 5, 8 and
4 9 of this chapter and orders the monies to be refunded to the taxpayer, the
5 department shall compute the amount of such monies that was distributed to
6 each city, town and county under this section. The department shall notify
7 the state treasurer of that amount plus the proportionate share of additional
8 allocated costs required to be paid to the taxpayer. Each city's, town's and
9 county's proportionate share of the costs shall be based on the amount of the
10 original tax payment each municipality and county received. Each month the
11 state treasurer shall reduce the amount otherwise distributable to the city,
12 town and county under this section by one thirty-sixth of the total amount
13 to be recovered from the city, town or county until the total amount has been
14 recovered, but the monthly reduction for any city, town or county shall not
15 exceed ten per cent of the full monthly distribution to that entity. The
16 reduction shall begin for the first calendar month after the final
17 disposition of the case and shall continue until the total amount, including
18 interest and costs, has been recovered.

19 H. On receiving a certificate of default from the greater Arizona
20 development authority pursuant to section 41-1554.06 or 41-1554.07 and to the
21 extent not otherwise expressly prohibited by law, the state treasurer shall
22 withhold from the next succeeding distribution of monies pursuant to this
23 section due to the defaulting political subdivision the amount specified in
24 the certificate of default and immediately deposit the amount withheld in the
25 greater Arizona development authority revolving fund. The state treasurer
26 shall continue to withhold and deposit the monies until the greater Arizona
27 development authority certifies to the state treasurer that the default has
28 been cured. In no event may the state treasurer withhold any amount that the
29 defaulting political subdivision certifies to the state treasurer and the
30 authority as being necessary to make any required deposits then due for the
31 payment of principal and interest on bonds of the political subdivision that
32 were issued before the date of the loan repayment agreement or bonds and that
33 have been secured by a pledge of distributions made pursuant to this section.

34 Sec. 10. Section 43-401, Arizona Revised Statutes, is amended
35 effective from and after December 31, 2001, to read:

36 43-401. Withholding tax; rates; election by employee

37 A. Every employer at the time of the payment of wages, salary, bonus
38 or other emolument to any employee whose compensation is for services
39 performed within this state shall deduct and retain therefrom an amount equal
40 to a percentage of the total amount of the federal income tax deducted and
41 withheld by an employer from the total value of such wages, bonus or other
42 emolument of an employee under the provisions of the United States internal
43 revenue code computed without deductions for any amount withheld.

44 B. The percentage deducted and retained under subsection A of this
45 section shall be:

1 1. If the employee's annual compensation is less than fifteen thousand
2 dollars, ten per cent, ~~seventeen~~ EIGHTEEN per cent, ~~twenty~~ TWENTY-ONE per
3 cent, ~~twenty-two~~ TWENTY-THREE per cent, ~~twenty-eight~~ TWENTY-NINE per cent or
4 ~~thirty-two~~ THIRTY-FOUR per cent, at the employee's election pursuant to
5 subsection E of this section.

6 2. If the employee's annual compensation is fifteen thousand dollars
7 or more, ~~seventeen~~ EIGHTEEN per cent, ~~twenty~~ TWENTY-ONE per cent, ~~twenty-two~~
8 TWENTY-THREE per cent, ~~twenty-eight~~ TWENTY-NINE per cent or ~~thirty-two~~
9 THIRTY-FOUR per cent, at the employee's election pursuant to subsection E of
10 this section.

11 3. Zero per cent at the election of an employee who had no state
12 INCOME tax liability in the prior taxable year and expects to have no state
13 INCOME tax liability for the current taxable year.

14 C. If the amount collected and payable by the employer to
15 the department in each of the preceding four calendar quarters did not
16 exceed an average of one thousand five hundred dollars, the amount collected
17 shall be paid to the department on or before April 30, July 31, October 31
18 and January 31 for the preceding calendar quarter. If such amount exceeded
19 one thousand five hundred dollars in each of the preceding four calendar
20 quarters, the employer shall pay to the department the amount the employer
21 deducts and retains pursuant to this section at the same time as the employer
22 is required to make deposits of federal tax pursuant to section 6302 of the
23 internal revenue code. On or before April 30, July 31, October 31 and
24 January 31 each year the employer shall reconcile the amounts payable during
25 the preceding calendar quarter in a manner prescribed by the department. For
26 taxable years or reporting periods that begin from and after December 31,
27 1997, the department by rule may allow and determine which employers qualify
28 for annual payments of withholding taxes, with an annual report by the
29 employer pursuant to section 43-412, subsection B, if the qualifying employer
30 has established sufficient payment history to indicate that the employer is
31 current and in good standing pursuant to standards established by rule. For
32 any business which has not had a withholding certificate for the four
33 preceding consecutive quarters, the quarterly average shall be computed in
34 a manner prescribed by the department.

35 D. If an employer fails to make a timely monthly payment because prior
36 to that reporting period it reported on a quarterly basis instead of on a
37 monthly basis, the department shall notify the employer that it is out of
38 compliance with this section. Notwithstanding section 42-1125, the
39 department shall not assess a penalty against an employer for failing to make
40 a timely monthly payment if the employer had filed and remitted all taxes due
41 on a quarterly basis and brings all filings and payments into current
42 compliance within thirty days after being notified by the department.

43 E. Each employee shall elect the amount authorized by subsection B of
44 this section to be withheld for application toward the employee's state
45 income tax liability. The election provided under this subsection shall be

exercised by each employee, in writing on a form prescribed by the department. The election shall be made within five days of employment. Each employer shall notify the employees of the election made available under this subsection and shall have election forms available at all times. Each form shall be completed in triplicate, with one copy each for the department, the employer and the employee. The employer shall file a copy of each completed form with the department. Any employee failing to complete an election form as prescribed shall be deemed to have elected the smallest applicable withholding percentage.

Sec. 11. Section 44-3298, Arizona Revised Statutes, is amended to read:

44-3298. Investment management regulatory and enforcement fund;
purpose

A. An investment management regulatory and enforcement fund is established and shall be administered by the commission under the conditions and for the purposes provided by this section. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. Fees and costs collected pursuant to this chapter, unless otherwise designated, shall be deposited, pursuant to sections 35-146 and 35-147, in the fund.

C. The commission shall use the monies in the fund for education and regulatory, investigative and enforcement operations in the securities division.

D. If the amount of monies in the fund exceeds two ONE hundred thousand dollars on December 31 of any calendar year, the amount in excess of two ONE hundred thousand dollars reverts to the state general fund. Beginning with the fiscal year starting on July 1, 1996, monies in the fund are subject to annual legislative appropriation.

Sec. 12. Laws 2001, chapter 261, section 3 is amended to read:

Sec. 3. Appropriation; purpose

A. The sum of \$146,250 is appropriated from the state general fund in fiscal year 2001-2002 to the department of revenue to administer the federal refund offset program.

~~B. The sum of \$146,250 is appropriated from the state general fund in fiscal year 2002-2003 to the department of revenue to administer the federal refund offset program.~~

Sec. 13. Laws 2001, chapter 318, section 3 is amended to read:

Sec. 3. Appropriation; purpose; exemption

A. A sum not to exceed ~~\$1,000,000~~ \$500,000 is appropriated from the state general fund in fiscal year 2001-2002 to the department of commerce to develop comprehensive land use plans in the noise and accident potential zones surrounding active military airports. The department of commerce shall procure the services of one or more private planning agencies and consultants to identify uses that are acceptable and feasible uses of land surrounding military airports, taking into account the economic viability of those land

1 uses. The agencies and consultants engaged by the director of the department
2 of commerce shall:

3 1. Give priority attention to military airports in counties with a
4 population exceeding two million persons.

5 2. Communicate and consult with affected landowners, affected county
6 and municipal governmental agencies and other interested parties.

7 B. The appropriation made in subsection A of this section is exempt
8 from the provisions of section 35-190, Arizona Revised Statutes, relating to
9 lapsing of appropriations.

10 Sec. 14. Laws 2001, chapter 327, section 14 is amended to read:

11 Sec. 14. Appropriation; purpose; exemption

12 A. The sum of \$93,000 and one FTE is appropriated from the state
13 general fund in fiscal year 2001-2002 and ~~\$275,000 and four FTEs in fiscal~~
14 ~~year 2002-2003~~ to the department of insurance for use by the department of
15 insurance to establish and administer a captive insurance program.

16 B. The ~~appropriations~~ APPROPRIATION made in subsection A of this
17 section ~~are~~ IS exempt from the provisions of section 35-190, Arizona Revised
18 Statutes, relating to lapsing of appropriations.

19 Sec. 15. Laws 2001, chapter 333, section 1 is amended to read:

20 Section 1. Appropriation; purpose; exemption

21 A. The sum of ~~\$1,500,000~~ \$750,000 is appropriated from the state
22 general fund in ~~each of~~ fiscal years YEAR 2001-2002 and ~~2002-2003~~ to the
23 department of commerce for implementation of initiatives associated with the
24 Arizona partnership for the new economy. The department shall use monies for
25 initiatives relating to telecommunications infrastructure development,
26 electronic government, high technology industry cluster business development
27 and coordination, electronic learning, entrepreneurial business assistance
28 and new economy marketing development.

29 B. The ~~appropriations~~ APPROPRIATION made in subsection A of this
30 section ~~are~~ IS exempt from the provisions of section 35-190, Arizona Revised
31 Statutes, relating to lapsing of appropriations, except that monies remaining
32 unexpended and unencumbered on June 30, 2003 revert to the state general
33 fund.

34 Sec. 16. Laws 2001, chapter 336, section 1 is amended to read:

35 Section 1. Appropriation; purpose; exemption

36 A. The sum of ~~\$250,000~~ \$125,000 is appropriated from the state general
37 fund in ~~each of~~ fiscal years YEAR 2001-2002 and ~~2002-2003~~ to the state land
38 department for equal distribution to Greenlee, Graham, Gila, Navajo and
39 Apache counties for planning and implementation of specific environmental
40 programs impacting economic development in those counties. The counties
41 shall prepare and submit proposed plans to the state land department for
42 approval. Monies distributed to the counties shall only be used to fund
43 those environmental programs that the state land department has approved.

1 B. The appropriations APPROPRIATION made in subsection A of this
2 section are IS exempt from the provisions of section 35-190, Arizona Revised
3 Statutes, relating to lapsing of appropriations.

4 Sec. 17. Laws 2001, chapter 371, section 23 is amended to read:

5 Sec. 23. Arizona clean air fund; program funding; transfer of
6 monies

7 A. Notwithstanding section 41-1516, Arizona Revised Statutes, monies
8 in the Arizona clean air fund established pursuant to section 41-1516,
9 Arizona Revised Statutes, shall be distributed as follows:

10 1. The following sums shall be transferred in fiscal year 2001-2002
11 to the department of environmental quality for the following air quality
12 programs:

13 (a) The sum of \$400,000 is transferred for deposit in the voluntary
14 vehicle repair and retrofit program fund established by section 49-474.03,
15 Arizona Revised Statutes.

16 (b) The sum of \$200,000 is transferred for deposit in the air quality
17 fund established by section 49-551, Arizona Revised Statutes, and is
18 appropriated to the department of environmental quality for purposes of
19 funding a roadside diesel emissions testing program including a diesel
20 vehicle emissions testing pilot program.

21 (c) The sum of \$125,000 is transferred for deposit in the air quality
22 fund established by section 49-551, Arizona Revised Statutes, and is
23 appropriated to the department of environmental quality to assist political
24 subdivisions in preparing and implementing ordinances for section 11-877,
25 Arizona Revised Statutes, as added by this act, and for other activities that
26 may be required by the expansion of area A pursuant to section 49-541,
27 Arizona Revised Statutes.

28 (d) The sum of \$450,000 is transferred for deposit in the air quality
29 fund established by section 49-551, Arizona Revised Statutes, and is
30 appropriated to the department of environmental quality for the purpose of
31 developing a visibility index pursuant to this act.

32 (e) The sum of \$300,000 is transferred for deposit in the air quality
33 fund established by section 49-551, Arizona Revised Statutes, and is
34 appropriated to the department of environmental quality for the purpose of
35 providing support and assisting in the development of an emissions cap and
36 trading program for sources of particulate matter, oxides of nitrogen and
37 oxides of sulfur in area A, as defined in section 49-541, Arizona Revised
38 Statutes.

39 2. The remaining monies shall be apportioned as follows in fiscal year
40 2001-2002:

41 ~~(a) \$5,500,000 for the conversion of diesel vehicles grants program~~
42 ~~pursuant to section 41-1516, subsections H, I and J, Arizona Revised~~
43 ~~Statutes, as amended by this act.~~

44 ~~(b) \$1,125,000 for the delivery system grants program pursuant to~~
45 ~~section 41-1516, subsection E, Arizona Revised Statutes, as amended by this~~

1 ~~act. The priority for the grants shall be for not more than five delivery~~
2 ~~systems in area A as defined in section 49-541, Arizona Revised Statutes, not~~
3 ~~more than two delivery systems in area B as defined in section 49-541,~~
4 ~~Arizona Revised Statutes, and one delivery system in Casa Grande.~~

5 3. The following sums shall be transferred in fiscal year 2002-2003
6 to the department of environmental quality for the following air quality
7 programs:

8 (a) The sum of \$2,600,000 is transferred for deposit in the air
9 quality fund established by section 49-551, Arizona Revised Statutes, and is
10 appropriated for deposit in the voluntary vehicle repair and retrofit program
11 fund established by section 49-474.03, Arizona Revised Statutes.

12 (b) The sum of \$200,000 is transferred for deposit in the air quality
13 fund established by section 49-551, Arizona Revised Statutes, and is
14 appropriated to the department of environmental quality for purposes of
15 funding a roadside diesel emissions testing program including a diesel
16 vehicle emissions testing pilot program.

17 (c) The sum of \$300,000 is transferred for deposit in the air quality
18 fund established by section 49-551, Arizona Revised Statutes, and is
19 appropriated to the department of environmental quality for the purpose of
20 developing a visibility index pursuant to this act.

21 (d) The sum of \$300,000 is transferred for deposit in the air quality
22 fund established by section 49-551, Arizona Revised Statutes, and is
23 appropriated to the department of environmental quality for the purpose of
24 providing support and assisting in the development of an emissions cap and
25 trading program for sources of particulate matter, oxides of nitrogen and
26 oxides of sulfur in area A, as defined in section 49-541, Arizona Revised
27 Statutes.

28 ~~4. The remaining monies shall be apportioned as follows in fiscal year~~
29 ~~2002-2003:~~

30 ~~(a) \$6,500,000 for the conversion of diesel vehicles grants program~~
31 ~~pursuant to section 41-1516, subsections H, I and J, Arizona Revised~~
32 ~~Statutes, as amended by this act.~~

33 ~~(b) \$1,800,000 for the delivery system grants program pursuant to~~
34 ~~section 41-1516, subsection E, Arizona Revised Statutes, as amended by this~~
35 ~~act. The priority for the grants shall be for not more than five delivery~~
36 ~~systems in area A as defined in section 49-541, Arizona Revised Statutes, not~~
37 ~~more than two delivery systems in area B as defined in section 49-541,~~
38 ~~Arizona Revised Statutes, and one delivery system in Casa Grande.~~

39 ~~B. If the monies generated by fees established pursuant to section~~
40 ~~49-543, subsection B, paragraph 2, Arizona Revised Statutes, do not generate~~
41 ~~at least \$11,700,000 in either fiscal year 2001-2002 or 2002-2003, the sums~~
42 ~~apportioned pursuant to this section shall be reduced proportionately.~~

43 ~~C. B. The monies allocated pursuant to subsection A of this section~~
44 ~~are exempt from the provisions of section 35-190, Arizona Revised Statutes,~~
45 ~~relating to lapsing of appropriations.~~

1 Sec. 18. Repeal

2 The following are repealed:

- 3 1. Section 42-5032.02, Arizona Revised Statutes.
- 4 2. Laws 2001, chapter 318, sections 2 and 4.
- 5 3. Laws 2001, chapter 320.
- 6 4. Laws 2001, chapter 369.
- 7 5. Laws 2001, chapter 375, section 2.
- 8 6. Laws 2001, chapter 272.

9 Sec. 19. Amnesty period for late registration and titling of
10 vehicles

11 Notwithstanding any other law, for the period beginning on January 1,
12 2002 through March 31, 2002, a person may register and obtain a title for any
13 vehicle that was not previously registered and titled as required by law if
14 the person pays the normal title and registration fees and the vehicle
15 license tax. Late fees and other penalties shall not be imposed.

16 Sec. 20. Individual income tax amnesty

17 A. If a taxpayer has an established and unpaid individual income tax
18 liability under title 43, chapter 10, Arizona Revised Statutes, as of
19 November 21, 2001 with respect to any taxable year ending before November 1,
20 2001, the taxpayer may apply to the department of revenue for amnesty
21 beginning January 1, 2002 through February 28, 2002. The application must
22 be in a form and manner prescribed by the department. The taxpayer must also
23 remit with the application full payment of all unpaid tax liability for each
24 taxable year covered by the application.

25 B. After reviewing the application, if the department is satisfied
26 that the conditions of this section are met, the department shall notify the
27 taxpayer granting amnesty for the applicable taxable year or years. If the
28 taxpayer provides an e-mail address and indicates on the application that the
29 taxpayer wishes to receive notification by e-mail, the department may notify
30 the applicant by e-mail.

31 C. For each taxable year that the department grants amnesty under this
32 section, the department shall:

33 1. Abate any penalties that have been previously assessed or imposed
34 on the amounts unpaid as of November 21, 2001 and remaining unpaid as of the
35 date of the amnesty application.

36 2. Waive any penalties that would otherwise be owing for the taxable
37 year for amounts unpaid as of November 21, 2001 and remaining unpaid as of
38 the date of the amnesty application.

39 D. A taxpayer who applies for and is approved for tax amnesty under
40 this section waives any right to refund or credit for the total amount of the
41 tax liability for each taxable year included in the application. Granting
42 amnesty under this section terminates any appeal by the taxpayer of an audit
43 determination or refund denial. The state board of tax appeals and any court
44 shall dismiss each such action or proceeding before that body on receiving
45 a certification from the department that amnesty has been granted for the

1 taxable year. If the department is the complainant or appellant, on
2 receiving a certification from the department the court shall enter judgment
3 in favor of the department. The department must attach to each certification
4 a copy of the taxpayer's application for amnesty.

5 E. The department may audit taxpayers for amnesty periods, subject to
6 the limitations of sections 42-1104 and 42-2059, Arizona Revised Statutes.
7 Taxpayers may contest any deficiency that is determined by audit, but the
8 taxpayer shall not receive a credit or refund for an amount that would reduce
9 the tax liability for any period below the amount covered by the amnesty.

10 F. Notwithstanding section 42-1116, Arizona Revised Statutes, all
11 monies collected pursuant to this section shall be deposited, pursuant to
12 sections 35-146 and 35-147, Arizona Revised Statutes, in the state general
13 fund.

14 G. Beginning March 15, 2002 through June 15, 2002, the department
15 shall submit a cumulative monthly report to the governor, speaker of the
16 house of representatives and the president of the senate of:

17 1. The number of taxpayers that have applied for amnesty under this
18 section.

19 2. The number of taxpayers that have been granted amnesty.

20 3. The amount of revenue received from taxpayers for amnesty periods.

21 Sec. 21. Arizona correctional industries revolving fund; use of
22 monies for inmate programming

23 Notwithstanding section 41-1624, Arizona Revised Statutes, the state
24 department of corrections may use monies in the Arizona correctional
25 industries revolving fund for inmate programming activities in fiscal year
26 2001-2002.

27 Sec. 22. WQARF transfer from corporate income tax; suspension

28 A. Notwithstanding section 49-282, subsection B, Arizona Revised
29 Statutes, or any other law, the state treasurer shall transfer only
30 \$5,000,000 from the corporate income tax collected pursuant to title 43,
31 chapter 11, article 2, Arizona Revised Statutes, to the water quality
32 assurance revolving fund in fiscal year 2001-2002. These monies are in
33 addition to revenues from sources specified in section 49-282, subsection A,
34 paragraphs 2 through 11 and 13, Arizona Revised Statutes. No monies from the
35 transaction privilege and severance clearing account established pursuant to
36 section 42-5029, subsection D, paragraph 4, Arizona Revised Statutes, shall
37 be deposited in the water quality assurance revolving fund in fiscal year
38 2001-2002.

39 B. Notwithstanding section 49-282, subsection B, Arizona Revised
40 Statutes, or any other law, the state treasurer shall not transfer any amount
41 from the corporate income tax collected pursuant to title 43, chapter 11,
42 article 2, Arizona Revised Statutes, to the water quality assurance revolving
43 fund in fiscal year 2002-2003. No monies from the transaction privilege and
44 severance clearing account established pursuant to section 42-5029,
45 subsection D, paragraph 4, Arizona Revised Statutes, shall be deposited in

1 the water quality assurance revolving fund in fiscal year 2002-2003. Any
2 monies deposited in the water quality assurance revolving fund in fiscal year
3 2002-2003 that are in addition to revenues from sources specified in section
4 49-282, subsection A, paragraphs 2 through 11 and 13, Arizona Revised
5 Statutes, shall be appropriated by the legislature as specified in the
6 general appropriations act.

7 Sec. 23. Sale of state aircraft

8 The state shall dispose of one state aircraft on or before June 30,
9 2002. All proceeds from the sale of the aircraft shall be deposited in the
10 state general fund.

11 Sec. 24. Proceeds from disposal of surplus materials;
12 allocation; state agencies

13 Notwithstanding the rules adopted pursuant to section 41-2607, Arizona
14 Revised Statutes, for fiscal year 2001-2002 all proceeds from the sale,
15 transfer, lease or disposal of excess and surplus materials by state
16 agencies, except the department of public safety and the department of
17 transportation, shall be deposited in the state general fund.

18 Sec. 25. Changes to existing withholding tax rates

19 A. Unless an employee elects to change the rate of withholding tax
20 prescribed by section 43-401, Arizona Revised Statutes, as amended by this
21 act, beginning on January 1, 2002, if an employee's rate of withholding
22 immediately before January 1, 2002 was:

23 1. Seventeen per cent, the withholding tax rate shall be increased to
24 eighteen per cent.

25 2. Twenty per cent, the withholding tax rate shall be increased to
26 twenty-one per cent.

27 3. Twenty-two per cent, the withholding tax rate shall be increased
28 to twenty-three per cent.

29 4. Twenty-eight per cent, the withholding tax rate shall be increased
30 to twenty-nine per cent.

31 5. Thirty-two per cent, the withholding tax rate shall be increased
32 to thirty-four per cent.

33 B. This section shall not be construed to preclude an employee from
34 electing any rate of withholding pursuant to section 43-401, Arizona Revised
35 Statutes, as amended by this act.

36 Sec. 26. Arts endowment deposits

37 Notwithstanding section 42-5029, subsection D, paragraph 4, subdivision
38 (d), as amended by this act, deposits into the Arizona arts endowment fund
39 established by section 41-986, Arizona Revised Statutes, shall not exceed
40 \$500,000 in fiscal year 2001-2002 and shall be zero in fiscal year 2002-2003.

41 Sec. 27. Retroactivity

42 A. Section 19 of this act, relating to an amnesty period for late
43 registration and titling of vehicles, is effective retroactively to from and
44 after December 31, 2001.

1 B. Sections 6 and 7 of this act, relating to board funding obligations
2 and investment of trust and treasury monies respectively, are effective
3 retroactively to June 30, 2001.

4 Sec. 28. Conditional retroactivity

5 If the emergency clause for this act is not enacted, sections 15-1681,
6 15-1682 and 43-401, Arizona Revised Statutes, as amended by this act, apply
7 retroactively to from and after December 31, 2001 and section 15-1682.02,
8 Arizona Revised Statutes, as added by this act, is effective retroactively
9 to from and after December 31, 2001.

10 Sec. 29. Emergency

11 This act is an emergency measure that is necessary to preserve the
12 public peace, health or safety and is operative immediately as provided by
13 law.

APPROVED BY THE GOVERNOR DECEMBER 18, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE DECEMBER 18, 2001.

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

December 14, 2001,

by the following vote: 40 Ayes,

8 Nays, 12 Not Voting

with emergency

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

17 day of December, 2001,

at 10:55 o'clock A M.

[Signature]
Secretary to the Governor

Approved this 18 day of

December, 2001,

at 3:34 o'clock P M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 18 day of Dec, 2001,

at 4:38 o'clock P M.

H.B. 2014
2nd Special Session

[Signature]
Secretary of State

Passed the House December 4, 2001,

by the following vote: 34 Ayes,

20 Nays, 6 Not Voting
Without Emergency

Jake Flake
Speaker of the House
Pro Tempore

Norman L. Syoore
Chief Clerk of the House

Passed the Senate December 14, 2001,

by the following vote: 22 Ayes,

7 Nays, 1 Not Voting
With Emergency

Kander Hunt
President of the Senate

Charmain Bellington
Secretary of the Senate

~~EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR~~

~~This Bill was received by the Governor this~~

~~_____ day of _____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary to the Governor~~

~~Approved this _____ day of~~

~~_____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Governor of Arizona~~

~~EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE~~

~~This Bill was received by the Secretary of State~~

~~this _____ day of _____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary of State~~

SECOND SPECIAL SESSION
H.B. 2014